

AGREEMENT BETWEEN
THE GOVERNMENT OF THE UNITED STATES OF
AMERICA
AND
THE GOVERNMENT OF THE REPUBLIC OF HONDURAS
REGARDING THE REDUCTION
OF CERTAIN DEBTS OWED TO, GUARANTEED BY, OR
INSURED BY
THE UNITED STATES GOVERNMENT AND ITS
AGENCIES

The Government of the United States of America (the "United States") and the Government of the Republic of Honduras ("Honduras") agree as follows:

ARTICLE I

Application of the Agreement

1. Pursuant to the recommendations contained in the Agreed Minute on the Debt Reduction of the Republic of Honduras, signed on May 12, 2005, the applicable domestic laws of the United States and Honduras, and the September 1999 commitment of the President of the United States to provide 100 percent debt forgiveness of eligible debt to certain Heavily Indebted Poor Countries, the United States and Honduras hereby agree to the reduction of certain Honduran payments due as a result of debts owed to, guaranteed, or insured by the United States Government or its Agencies.

2. With respect to amounts owed to the Export-Import Bank of the United States ("Ex-Im Bank"), the Department of Defense ("DoD"), and the United States Agency for International Development ("USAID"), each agency will notify Honduras of the amounts reduced hereunder. This Agreement will be further implemented by a separate agreement (the "Implementing Agreement") between the Commodity Credit Corporation ("CCC") and Honduras concerning the amounts owed by Honduras to the CCC.

ARTICLE II

Definitions

1. "Contracts" mean those agreements or other financial arrangements that have maturities under:

(a) commercial credits guaranteed or insured by the United States or its Agencies, having original maturities of more than one year, which (i) were extended to the Government of Honduras, the Honduran public sector or the Honduran Central Bank, or covered by the guarantee of the Government of Honduras, the Honduran public sector or the Central Bank of Honduras and (ii) were concluded before June 20, 1999 and

(b) the bilateral debt rescheduling agreements ("Rescheduling Agreements") between the United States and Honduras signed on December 20, 1990, February 2, 1993, December 4, 1996 and August 23, 1999.

A table listing the relevant Contracts to be included under the reduction is attached hereto as Annex A.

Debt service due as a result of debts described above and affected through special payment mechanisms or other external accounts is covered by this Agreement.

2. "Relevant Principal" means the total amount of principal outstanding as of March 1, 2005, including Accrued Interest and any principal and interest in arrears (including Late Interest, if any), on Contracts as defined in Article II, paragraph 1 of this Agreement.
3. "Accrued Interest" means interest accrued under the relevant Contracts from the last interest maturity date through February 28, 2005, inclusive, computed at the rate specified in the Contracts.
4. "Late Interest" means interest charges accruing from the contractual payment date of principal and interest due and not paid through February 28, 2005, inclusive.
5. "Minute" means the Agreed Minute on the Reduction of the Debt of the Republic of Honduras, signed on May 12, 2005.
6. "Participating Creditor Countries" means creditor countries that are signatories to the Agreed Minute on the Reduction of the Debt of the Republic of Honduras dated May 12, 2005.
7. "Completion Point" means March 28, 2005 and April 5, 2005, the dates on which the Boards of the International Monetary Fund ("IMF") and the International Development Association of the World Bank, respectively, decided that Honduras had reached its Completion Point, as defined under the Enhanced Debt Initiative for Heavily Indebted Poor Countries.
8. "Agencies" means Ex-Im Bank, DOD, USAID and the CCC.

ARTICLE III

Terms and Conditions of Reduction

1. One hundred percent of the Relevant Principal as defined in Article II, paragraph 2 is hereby cancelled.

A table summarizing the amount of Relevant Principal owed to the United States and cancelled hereby is attached hereto as Annex B.

2. Adjustments in the amounts of Relevant Principal may be made in writing, as necessary and by mutual consent.

ARTICLE IV

General Provisions

1. Honduras shall seek to secure from external public or private creditors not participating in the Minute reduction arrangements on terms comparable to those set forth in the Minute for credits of comparable maturity, committing to avoid treatment more favorable than that accorded to the Participating Creditor Countries, as more specifically defined in the Minute.
2. Except as may be modified by this Agreement, all terms of the Contracts remain in full force and effect.
3. Upon entry into force, the terms of this Agreement will supersede the terms of the Agreement Between the Government of the United States of America and the Government of the Republic of Honduras Regarding the Reduction of Certain Debts Owed To, Guaranteed By, or Insured By the United States Government, dated June 1, 2004, with respect to the amounts of principal and interest that would otherwise be due under the Contracts for the period from March 1, 2005 until June 30, 2005.
4. With respect to amounts owed to Ex-Im Bank under this Agreement, Honduras (referred to as the "Government" in Annex C hereto) agrees to the additional terms and conditions set forth in Annex C.
5. With respect to amounts owed to USAID under this Agreement, Honduras (referred to as the "Government" in Annex D hereto) agrees to the additional terms and conditions set forth in Annex D.
6. With respect to amounts owed to DoD under this Agreement, Honduras (referred to as the "Government" in Annex E hereto) agrees to the additional terms and conditions set forth in Annex E.

ARTICLE V

Suspension or Termination

1. The United States may suspend or terminate this Agreement by giving sixty (60) days written notice to Honduras. In particular, the United States may suspend or terminate all or part of this Agreement, if the Participating Creditor Countries determine that Honduras has not met its obligations under the Minute, including those of comparable treatment. If the United States terminates all or part of this Agreement, all payments consolidated and cancelled under this Agreement shall be due and payable immediately following notification to Honduras of termination of the Agreement.

2. This Agreement may be amended or modified by mutual consent of the United States and Honduras.

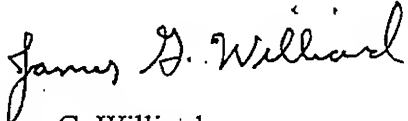
ARTICLE VI

Entry into Force

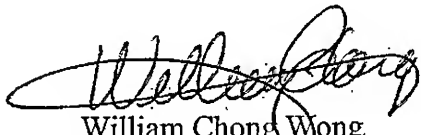
This Agreement shall enter into force following signature of the Agreement and written notice to Honduras by the United States that all necessary U.S. domestic legal requirements for entry into force of the Agreement have been fulfilled.

Done at Tegucigalpa, Honduras in the English and Spanish languages, both being equally authentic, this 7th day of October, 2005.

FOR THE GOVERNMENT OF THE
UNITED STATES OF AMERICA:



James G. Williard
Chargé d'Affaires a.i.
US Embassy Tegucigalpa, Honduras

FOR THE GOVERNMENT OF THE
REPUBLIC OF HONDURAS:


William Chong Wong
Minister of Finance
Republic of Honduras

HONORABLE WITNESS:




Ricardo Maduro Joest
President
Republic of Honduras

ANNEX A
Contracts Subject to Reduction

Ex-Im Bank

R-190

R-244

United States Department of Agriculture ("USDA") CCC

12/20/90

2/2/93

8/23/99

USAID Housing Guarantees ("HG")

522HG005C01

522HG005D01

522HG006A01

522HG008A01

522HR001A01

522HR002A01

522HR003A01

522HR005A01

522HR006A01

522HR007A01

522HR008A01

522HR009A01

522HR010A01

522HR011A01

522HR012A01

Department of Defense

HO917R

HO937R

HO957R

HO977R

HO997D

HO997E

ANNEX B
Summary of Relevant Principal
(thousands of U.S. dollars)

DoD	\$47,953
Ex-Im Bank	\$ 1,248
USDA CCC	\$ 9,657
USAID HG	\$65,680
TOTAL	\$124,538

ANNEX C
ADDITIONAL TERMS AND CONDITIONS WITH RESPECT TO
AMOUNTS OWING TO EX-IM BANK

The Government of the Republic of Honduras, (hereinafter referred to as the "Government"), agrees to the following additional terms and conditions with respect to the amounts owing to Ex-Im Bank, guaranteed by Ex-Im Bank, or insured by Ex-Im Bank, pursuant to the attached Agreement between the United States of America and the Government:

A. Representations. The Government represents and warrants that it has taken all actions necessary or advisable under its laws and regulations to authorize the execution, delivery and performance of this Agreement and that this Agreement constitutes the valid and binding obligations of the Government, enforceable against the Government in accordance with its terms and for the performance of which the full faith and credit of the Government is pledged. The Government acknowledges that the activities contemplated by this Agreement are commercial in nature rather than governmental or public and agrees that, to the extent that it has or hereafter may acquire immunity from suit, judgment and/or execution, it will not assert or claim any such right of immunity with respect to any action by Ex-Im Bank to enforce the Government's obligations under this Agreement.

B. Miscellaneous Provisions.

1. Expenses. The Government shall pay on demand all reasonable costs and expenses incurred by or charged to Ex-Im Bank in connection with or arising out of this Agreement, including without limitation costs and legal fees incurred by or charged to Ex-Im Bank in connection with the enforcement of this Agreement.

2. Adjustments. On or about 135 days after the execution of this Agreement, Ex-Im Bank shall inform the Government of the actual amounts to be reduced hereunder. The parties hereto agree to make any necessary adjustments to the amounts being reduced.

3. Communications. All communications between the Government and Ex-Im Bank under this Agreement shall be in writing, in the English language (or accompanied by an accurate English translation). All communications to the Government shall be addressed to the Government at the address designated by the Government from time to time in writing to Ex-Im Bank; all communications to Ex-Im Bank shall be addressed to Ex-Im Bank at the following address:

Export-Import Bank of the United States
811 Vermont Avenue, N.W.
Washington, D.C. 20571
Attention: Treasurer-Controller

Telex: 89461 EX-IM BANK WSH
197681 EXIM UT
Facsimile: (202) 565-3294
Reference: Ex-Im Bank Loan R-0284

4. Governing Law. The Ex-Im Bank portion of this Agreement shall be governed by and construed in accordance with, the laws of the District of Columbia, United States of America.

ANNEX D

ADDITIONAL TERMS AND CONDITIONS WITH RESPECT TO
AMOUNTS OWING TO USAID

A. GENERAL PROVISIONS

1. Communications. All communications between the Government and USAID shall be in writing in the English language (or accompanied by an accurate translation). All communications to the Government shall be addressed as the Government may designate from time to time in writing to USAID. All communications to USAID shall be addressed as follows:

Chief
Office of Financial Management, Loan Management Division (FM/LM)
USAID
1300 Pennsylvania Avenue, N.W.
Room 2.10.56
Washington, D.C. 20523
Fax: (202) 216-3541

USAID may change this designated address upon written notice to the Government.

ANNEX E

ADDITIONAL TERMS AND CONDITIONS WITH RESPECT TO AMOUNTS OWING TO DoD

No failure or delay on the part of the Department of Defense to exercise any right, power or privilege under this Agreement shall operate as a waiver thereof.

All statements, reports, certificates, opinions and other documents or information furnished to the Department of Defense under this Agreement shall be supplied by the Government without cost to the Department of Defense.

The Government shall reimburse the Department of Defense, on demand, for all reasonable and documented out-of-pocket expenses (including legal fees) incurred by the Department of Defense in connection with the enforcement of this Agreement.

To the extent that the Government has or hereafter may acquire immunity from suit, judgment, and/or execution, the Government agrees that it shall not assert or claim any such right of immunity with respect to any action to enforce its obligations under this Agreement, except as provided for in the Government's judicial codes with respect to execution through the courts of the Government.

Upon entry into force of this Agreement, the Department of Defense shall consider arrears as having been rescheduled or forgiven for the purposes of resuming the provision of assistance to the Government. The Department of Defense will notify the Government of the amounts rescheduled, or forgiven.

The Department of Defense portion of this Agreement shall be governed by, and construed in accordance with, the laws of the District of Columbia, United States of America.

All communications between the Government and the Department of Defense shall be in writing, in the English language at the following address:

Defense Security Cooperation Agency
201 12th Street South, Suite 203
Arlington, VA 22202

Facsimile: (703) 604-6538